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SUBJECT: SERBIA: DEMOCRATS AND SOCIALISTS FORM NEW GOVERNMENT

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Summary

¶1. (SBU) After almost two months of coalition negotiations, Serbia's new European-oriented government under Prime Minister Mirko Cvetkovic was formed on July 7. The cabinet, a mix of old faces and new, contains representatives of seven political parties. The government enjoys the support of a slim majority of the members of parliament, but is nevertheless expected by many to be long-lasting. Its effectiveness will depend on the resolve of President Tadic and PM Cvetkovic. End Summary.

Late Night Start

¶2. (U) The Serbian parliament voted late on July 7 to approve the new coalition government proposed by Prime Minister-designate Mirko Cvetkovic of the Democratic Party. The motion, which required a simple majority of 126 of 250 votes, passed with 127 votes in favor and 31 opposed. Many opposition members were absent or abstained; Dragan Markovic "Palma" missed the vote, reducing the margin from the expected 128. Prime Minister Cvetkovic and the new ministers took their oaths of office in Parliament immediately following the vote.

¶3. (U) The governing coalition controls a slim majority of 128 seats and includes President Boris Tadic's Democratic Party (DS) and its electoral coalition partners (G-17 Plus, the Serbian Renewal Movement, the League of Social Democrats of Vojvodina, and the Sandzak Democratic Party), which together hold 102 seats; Ivica Dacic's Socialist Party of Serbia (SPS) and its electoral coalition partners (Pensioners Party and United Serbia) with 20 seats; and the Bosniak and Hungarian minority parties, with six seats. The parliamentary opposition will consist of Vojislav Kostunica's Democratic Party of Serbia (DSS) and its coalition partner New Serbia, which together hold 30 seats, and Vojislav Seselj's Serbian Radical Party (SRS) with 78 seats. Cedomir Jovanovic's Liberal Democratic Party (LDP), with 13 seats, did not join the governing coalition but has promised to provide support on key issues of European integration. The single Albanian minority MP Riza Halimi, who also declined to join Tadic's coalition, might also provide support on specific issues.

Cvetkovic Outlines Goals

¶4. (U) In his opening policy statement, Cvetkovic highlighted six goals: commitment to a European future for Serbia; non-acceptance of the independence of Kosovo; the need to strengthen the economy; increasing the social responsibility of the government; stepping up efforts to combat crime and corruption; and observing international law.

¶5. (U) Cvetkovic said that it would be possible to expand political

and economic relations (particularly investment) with Russia while pursuing EU membership. He also said that Serbia will "strive to promote relations with the U.S. with the aim of having this greatest global power take the interests of Serbia and its people into consideration when resolving disagreements in the Balkans."

¶6. (SBU) In his remarks, Cvetkovic said that ratification of the Stabilization and Association Agreement with the EU and the Gazprom gas deal are among the first items the new government will consider.

Both are expected to be contentious, with disagreements between the ruling coalition and the opposition over the SAA and tensions within the ruling coalition over the gas deal. Deputy Prime Minister and Minister of Economy Mladjan Dinkic (G17 Plus) told us on July 3 that "over my dead body will we do the gas deal in its current form." Jovan Ratkovic from President Tadic's office told us on July 8 that when the SAA is ratified, parliament will also adopt a separate resolution reaffirming that EU integration does not mean recognition of Kosovo's independence.

Comment

¶7. (SBU) Comment: While at first glance this might appear to be an unwieldy governing coalition, with its seven parties, the reality of the political situation may give the new government an unexpected level of stability. With the exception of DS, the coalition partners have seen their support at the polls weakening in recent elections; the SPS in particular expects to lose voters for making this deal with the DS and will be very hesitant to go back to the polls before it can produce results and rebuild support. The effectiveness of the new government is another question entirely. Tadic and Cvetkovic can look for opportunities to move Serbia forward, or more excuses for why they can't. Fear of giving the DSS

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and SRS ammunition to use against them may well hamper their willingness to take bold action. End comment.

Members of the New Government

¶8. (SBU) Prime Minister - Mirko Cvetkovic (DS): Prior to this appointment, Mirko Cvetkovic served as Finance Minister in the previous government. He was born August 16, 1950, in Zajecar, eastern Serbia. He obtained bachelor's, MA, and PhD degrees from Belgrade's Faculty of Economics. Following university he worked for ten years at the Mining Institute in Zemun (a Belgrade municipality), at the Economics Institute for six years, and then at the economic think tank CES MECON for seven years. In January 2001 he became Deputy Minister for Economy and Privatization. From 2003 to 2004, he was a Director at the Privatization Agency. In 2005, he resigned to work as a Special Advisor at CEO Intercon Consulting/CES Mecon. Cvetkovic speaks English, is married and has two children. Cvetkovic has good relations with Serbia's major businessmen, but is seen by many as a technocrat who may have difficulty maintaining order in the cabinet. While he was a consultant Cvetkovic worked with USAID and he was a constructive interlocutor as Finance Minister. One former colleague told us that Cvetkovic was skilled at manipulating people behind the scenes.

¶9. (SBU) First Deputy Prime Minister and Minister of Interior - Ivica Dacic (SPS): Ivica Dacic has been Chairperson of the SPS Main Board since January 2003. He was born January 1, 1966, in Prizren, Serbia (now the Republic of Kosovo). Dacic completed secondary education in Nis and earned a bachelors degree in journalism from Belgrade's Faculty of Political Science. During the first Parliament of the Federal Republic of Yugoslavia, Dacic became a member of the Council of Citizens, vice president of the Information Council, and a member of the SPS Main Board Executive Council. In 1996 Dacic was reelected to the Belgrade City Council Executive Board. From 1996 to 2004, he served as a party spokesperson, and in February 2000 Dacic became chairman of the Belgrade Socialists Chapter, winning re-election to this position in 2002. Dacic was elected SPS Main Board Chairperson at the 6th Party Congress in January 2003 at the same time Slobodan Milosevic was re-elected SPS President. He placed fifth in the 2004 presidential elections.

After the January 2007 parliamentary elections, Dacic became chair of the Defense and Security Committee. He is married to Sonja and has two children, son Luca and daughter Andrea. He has limited English but refuses to speak it, and speaks fair Russian. In post's limited contacts with Dacic to date he has been fairly forthcoming and pragmatic.

¶10. (SBU) Deputy Prime Minister and Minister for Science and Development - Bozidar Djelic (DS): Djelic served as Deputy Prime Minister in charge of European Integration efforts in the previous government from May 2007. Although his title has changed, post expects Djelic to retain the lead on EU integration. Born in 1965 in Belgrade, he graduated from the Institute of Political Science in Paris and earned an MBA from Harvard University and a second Master's at the College for Social Science in Paris. From 1993 to 2000, Djelic worked for the McKinsey consulting company, helping to devise the privatization programs in Russia and Poland. During the Zoran Djindjic government (2001-2003) he served as Serbia's Finance Minister. After the formation of the DSS-led government in early 2004, Djelic went into private consulting. In 2006 he became CEO of Meridian Bank, a Serbian bank sold to the French banking giant Credite Agricole. Djelic has been a member of the Democratic Party (DS) since 2003, and was the PM candidate of the DS in the negotiations on forming the new government in January 2007.

¶11. (U) Deputy Prime Minister and Minister of Economy - Mladjan Dinkic (G17 Plus): Dinkic was Minister for Economy and Regional Development under the previous DS/DSS/G-17 government. He was born in 1964 in Belgrade. He has a BA and an MS in Belgrade's Economics Faculty, where he later worked as a professor. From 1999-2000, he was Executive Director of G-17 prior to it becoming a political party in December 2002. From 2000 to 2003 Dinkic served as Governor of the National Bank of Yugoslavia. From 2004 to 2006, Dinkic served as Serbia's Minister of Finance. He was appointed Party President of G17 in 2006.

¶12. (U) Deputy Prime Minister for Social Issues - Jovan Krkobabic (PUPS): Born in 1930, Krkobabic earned his undergraduate, graduate and PhD degrees from the Belgrade's Political Science Faculty. From 1969 until 1989, Krkobabic was director of the Pension and Retirement Fund of Serbia. He became president of the Association of Serbian Pensioners in 1996 and an MP in 1997. Krkobabic is the leader of Party of United Pensioners of Serbia (PUPS), which first appeared in the January 2007 Serbian parliamentary election but won no seats. In the 2008 parliamentary elections, PUPS won five seats in coalition with Socialist Party of Serbia and United Serbia. As the oldest MP, Krkobabic served in June as the Acting Speaker while the new parliament was constituted.

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¶13. (U) Minister of Foreign Affairs - Vuk Jeremic (DS): Jeremic will continue to serve as Foreign Minister, a role he has had since May 2007. Born in 1975 in Belgrade, he graduated from the University of London with a degree in finance. He also holds a B.S. in theoretical physics from the University of Cambridge in England, and an MPA in International Development from Harvard's Kennedy School of Government. In the 1990s Jeremic worked for several financial institutions in London, including Deutsche Bank and Dresdner Kleinwort, and then for AstraZeneca Pharmaceuticals. Jeremic was one of the founders of the anti-Milosevic "Otpor" ("Resistance") movement. Jeremic served as Special Envoy of the Democratic Opposition of Serbia to Western Europe before the change of Milosevic's regime. Jeremic later served as an advisor to the Minister on International Business Affairs, Advisor to the Prime Minister on International Relations, the Minister's Special Envoy for Euro-Atlantic Affairs and President Boris Tadic's Senior Advisor, and the head his foreign policy team. In February 2006 Jeremic was elected to the Main Board of the Democratic Party.

¶14. (U) Minister of Defense - Dragan Sutanovac (DS): Dragan Sutanovac will continue to serve as Minister of Defense, a position he has held since May 2007. Born in Belgrade in 1968, Sutanovac graduated from Belgrade's Faculty of Mechanical Engineering. He holds a diploma from the Marshall Center for Security Studies in Garmisch-Partenkirchen. In September 2000, he was appointed special

advisor at the Federal Ministry of Interior. In 2001, he became Assistant Federal Minister of Interior. He was elected to parliament in 2000, 2003, and 2007. From 2002 to 2003, he was Chairperson of the parliament's committee for defense and security. In local elections in 2000 and 2004, he won election to Belgrade's City Assembly. Sutanovac has also held several positions in the Democratic Party including member of the Executive and Main Board. In February 2006, he was elected Vice President of the DS.

¶15. (SBU) Minister of Finance - Diana Dragutinovic (DS):

Dragutinovic has served as Vice Governor of the National Bank since September 1, 2004. Born in 1958 in Belgrade, she graduated from the Belgrade Faculty of Economics, where she also completed her PhD studies. Her further education includes the London School of Economics and George Washington University. From 2001 to 2002, Dragutinovic served as a special adviser with the Serbian Ministry of Finance and Economy. She also previously served as special advisor to the World Bank and International Monetary Fund. She is not active in the DS party, but is close to PM Cvetkovic as a result of work together at the consulting firm CES Mecon.

¶16. (SBU) Minister of Justice - Snezana Malovic (DS): Malovic has been State Secretary at the Ministry of Justice since November 2007.

Born in Belgrade in 1976, Malovic received her bachelor's degree from Belgrade's Faculty of Law in 1999 and passed the bar exam in 2002. From 1999 to 2001, Malovic worked as a legal assistant. From 2001 to 2002 she was a Deputy State Secretary at the Ministry of Justice and Local Self Governance. From 2002 to 2003 she served as Chief of Staff at the Ministry of Justice. From 2004 to 2007, Malovic served as general secretary for the War Crimes Prosecutors' office. Although post has found Malovic to be a hard-working and serious interlocutor, as State Secretary at MOJ she seemed deferential to former Minister Petrovic rather than an independent voice.

¶17. (U) Minister of Agriculture - Sasa Dragin (DS): Dragin was appointed Minister of Environmental Protection in 2007. Born in 1972 in Sombor, Serbia. Dragin graduated from the Faculty of Agriculture in the University of Novi Sad in 1999 and obtained his masters in 2003. In 1999 Dragin became a faculty assistant in Novi Sad University's Agriculture Faculty. In 2003, he became adviser to the President of Vojvodina's Executive Council and in 2004 became Deputy to the Provincial Secretary of Agriculture.

¶18. (U) Minister of Mining and Energy - Petar Skundric (SPS): Skundric is a lecturing professor at the Technology-Metallurgy Faculty in Belgrade, and honorary professor of the Technology University of St. Petersburg. He was born in February 1947 in Gradacac, and obtained bachelor's, MA, and PhD degrees from the Faculty of Technology-Metallurgy of the University of Belgrade. He previously served as an MP in the Parliament of Serbia and Montenegro. Skundric is one of the founders and the first Secretary-General of the SPS, and is a member of the SPS Main Board.

¶19. (U) Minister of Infrastructure - Milutin Mrkonjic (SPS): Prior to this appointment, Mrkonjic had been a Deputy Speaker of the Parliament since May 2007. Born in 1942 in Belgrade, Mrkonjic graduated from Belgrade's Civil Engineering Faculty in 1971. Upon graduation he worked at the Design and Research Railway Center. When the Center merged with the Institute for Transportation, Mrkonjic becomes its CEO. Mrkonjic is a long standing member of the Socialist Party of Serbia (SPS) and is Deputy of the SPS Main Board.

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¶20. (U) Minister of State Administration and Local Self-Government - Milan Markovic (DS): Markovic has been a member of parliament since 2001, serving as a deputy speaker since 2003. Born in Belgrade in 1970. Markovic has his bachelor's degree in Belgrade's Faculty of Law. Markovic worked as an associate professor at the Faculty of Security of Belgrade University. From 2000 to 2004 Markovic was the president of the Palilula municipality.

¶21. (U) Minister of Trade - Slobodan Milosavljevic (DS): Milosavljevic was appointed Minister of Agriculture, Forestry, and Water Management in May 2007. Born in Belgrade in 1965.

Milosavljevic holds B.S., M.S. and PhD degrees from Belgrade's Faculty of Economy. From 1991 to 1996, he worked at the Institute for Marketing Research working on areas related to business restructuring. In 1996, he became a director at the Center for Combined Research and Macroeconomic Analysis. Milosavljevic was Zoran Djindjic's economic advisor. In January 2001 he became Minister of Trade, Tourism, and Services, a position he held until March 2004. Milosavljevic became president of the Serbian Chamber of Commerce (SCK) in December 2004.

¶22. (U) Minister of Education - Zarko Obradovic (SPS): Obradovic is the vice president of the Main Board of the Socialist Party of Serbia and has been a member of parliament since 2001. He was born in 1960 in Belgrade. Obradovic holds a master's and PhD degrees from Belgrade's Faculty of Political Science.

¶23. (U) Minister of Youth and Sport - Snezana Samarzic Markovic (G-17 Plus): Markovic will continue to serve as Minister for Youth and Sport, a position she has held since May 2007. Born in 1966 in Belgrade, she graduated from the Faculty of Philology in Serbian Language and Literature. From 2001 to 2005 she worked in the bilateral department at the Ministry of Foreign Affairs as Deputy Director for Neighboring Countries, Deputy Chief Mission at the Serbia-Montenegrin Embassy in Oslo, and Advisor in the Directorate for Europe of the Ministry of Foreign Affairs. From 2005 to 2007, she was Assistant Minister of Defense in charge of strategic planning and international military cooperation. She also served as Co-President of the Serbia-NATO Defense Reform Group.

¶24. (U) Minister of Health - Tomica Milosavljevic (G17 Plus): Milosavljevic will continue to serve as the Minister of Health, a position he has held since May 2007. Born in 1955 in Krusevac. Milosavljevic graduated from Belgrade's Faculty of Medicine in 1979, where he also later earned masters and PhD degrees. Milosavljevic worked at different medical centers in Munich, Amsterdam and London. Beginning in 2001 he served as the assistant managing director of Serbia's Clinical Center and the managing director of the gastroenterology clinic. He is a member of the G17 Plus Presidency.

¶25. (SBU) Minister of Telecommunications - Jasna Matic (G17 Plus): Matic was most recently the state secretary at the Ministry of Economy and Regional Development, a post to which she was appointed in 2007. She was born January 14, 1964 in Belgrade. Matic obtained a Bachelor of Science in Civil Engineering from Belgrade University in 1994 and an MBA from the University of Washington. From 2001-2002, Matic was a special advisor to former Yugoslav Deputy Prime Minister Miroljub Labus. She then served as the Director of the Serbian Investment and Export Promotion Agency (SIEPA). She is an expert on competitiveness issues and FDI and has over ten years' experience in the Serbian private sector and administration, as well as in international organizations. Matic is close to Dinkic and has a long history of cooperation with the Embassy. She is considered to be very competent, straightforward, and honest, but cautious. Post expects her to be active in pushing reform in the telecommunications industry.

¶26. (U) Minister of Labor and Social Policy - Rasim Ljajic (SDP): Rasim Ljajic will continue as Minister of Labor and Social Policy, a post he has held since May 2007. Born in Novi Pazar in 1964, Ljajic graduated from Sarajevo's Faculty of Medicine. From 1989 to 2000, he worked as a journalist. In 1990 he was elected Secretary General of the Party of Democratic Action of Sandzak Coalition (SDA); he left the party in 1993 to form the Sandzak Democratic Party (SDP), criticizing Sulejman Ugljanin for being an extremist and endorsing separatism from Yugoslavia. After the fall of Milosevic in October 2000, Ljajic was appointed Minister of National and Ethnic Communities in the Federal Government and Vice President of the Coordinating Body for Presevo, Bujanovac and Medvedja Municipalities. In August 2001, Ljajic became Vice President of the Coordinating Center for Kosovo. In March 2003, he became Minister of Human and Minority Rights. He has served as President of the National Council for Cooperation with the ICTY since July 2004. Since September 2005, he has been the president of the Coordinating Body for Municipalities of Presevo, Bujanovac and Medvedja.

¶27. (U) Minister of Environment and Urban Planning - Oliver Dulic (DS): Dulic was most recently Speaker of the Serbian Parliament;

elected to that position in May 2007, he was the youngest speaker in the parliament's history. He was born in 1975 in Belgrade and raised in Vojvodina. He graduated from Belgrade's Faculty of Medicine in 1999 and completed his specialization in orthopedics and traumatology in Belgrade. He stepped onto the political scene in 1996 as a student leader, later joining the anti-Milosevic "Otpor" ("Resistance") group. He joined the Democratic Party in 1997. From 2001 to 2003, Dulic was head of the DS's North Backa District. In 2003, he served as an MP in the Parliament of Serbia and Montenegro.

¶28. (U) Minister of Culture - Nebojsa Bradic (G17 Plus): Bradic has been the director and head manager of the Belgrade Theatre of Drama Art since 2000. Born in 1956 in Trstenik, Serbia, Bradic graduated from Belgrade's Faculty of Theatrical Arts. From 1981 to 1996 he was a director, artistic director and the head manager at the Theater of Krusevac. In 1996 he went to the National Theater in Belgrade and was its director until 1999.

¶29. (U) Minister of National Investment Plan - Verica Kalanovic (G17 Plus): Kalanovic has been a vice president of G17 Plus since 2006. Born in 1954 in Trstenik, Serbia. Kalanovic graduated from Belgrade's Metallurgical Engineering Faculty in 1980 with a master's degree. She worked for the PPT Zaptivke gasket manufacturing company in Trstenik from 1983 to 1993, when she started working as a high school teacher. From 2003-2006 Kalanovic was an MP in the Parliament of Serbia and Montenegro and became State Secretary in the Ministry of Finance in 2007. From 2004 to 2006 she served as the G17 Plus Executive Board President.

¶30. (SBU) Minister for Kosovo - Goran Bogdanovic (DS): Bogdanovic is president of the DS for Kosovo and Metohija and a member of the DS national presidency. He was born in 1963 in the village of Lesak, Leposavic municipality (now the Republic of Kosovo). Bogdanovic graduated from Belgrade's Faculty of Agriculture. After graduation, he worked at the "Juko" agricultural cooperative in Srbica, Kosovo. In 1996 he became an agriculture inspector in the Mitrovica region of Kosovo. Bogdanovic joined the Democratic Party (DS) in 2000. He was Minister Agriculture of Kosovo from 2000 - 2004, although he spent most of his ministerial mandate out of the office due to the Serb boycott of the Assembly. Post knows Bogdanovic to be a relatively mild-mannered individual.

¶31. (U) Minister of Religion - Bogoljub Sijakovic (DS): Born in Niksic, Montenegro in 1955. He holds his BA and MA in philosophy from Belgrade's Faculty of Philosophy and completed his PhD in philosophy at Sarajevo's Faculty of Philosophy in 1989. He received advanced training in Germany and Greece and was a professor of philosophy at the Faculty of Niksic, Montenegro. He is a lecturing professor at the Orthodox Seminary Faculty of the University in Belgrade, where he teaches philosophy. Between 2000 and 2001 he was minister of religion in the former Yugoslav federal government.

¶32. (U) Minister of Diaspora - Srdjan Sreckovic (SPO): Born in 1974 in Belgrade. Sreckovic graduated from Belgrade's Faculty of Economics in 1997. In 2008 he earned a master's degree in fiscal management. Sreckovic has been an SPO member since 1992. From 2004-2007, Sreckovic served as Assistant Minister of Trade.

¶33. (U) Minister of Human and Minority Rights - Svetozar Ciplic (DS): Born in Novi Sad in 1965, Ciplic graduated from the Faculty of Law of the University of Novi Sad where he also received his MA. Ciplic joined the Public Law Department of the Novi Sad Faculty of Law in 1995. From 2002 - 2007 he was a judge of the Constitutional Court of Serbia.

¶34. (U) Minister without Portfolio - Sulejman Ugljanin (SDA): Ugljanin, the leader of the Democratic Action of Sandzak (SDA) party, was mayor of Novi Pazar from 2004 to 2008. Born in 1953 in Kosovska Mitrovica (now the Republic of Kosovo), Ugljanin graduated from the Dental Faculty in Sarajevo and worked for twelve years as a dentist in the Novi Pazar Medical Center. In 1990 Ugljanin was one of the founders of Alija Izetbegovic's Party of Democratic Action, and, together with Rasim Ljajic, was co-founder of the Party of Democratic Action of Sandzak (SDA). In 1990's first Serbian multi-party presidential elections, Ugljanin took fourth place out

of 33 candidates. In 1991, he established the National Council of Sandzak Bosniaks. From 1993 until 1996, he lived in exile in Turkey to escape charges of conspiracy against the state. He returned when the Milosevic regime granted him amnesty and established the "List for Sandzak" coalition, which won an absolute majority in the 1996 local elections in Novi Pazar, Sjenica, and Tutin (all Sandzak municipalities with a Bosniak majority). In 2007 Ugljanin was the leader of the "List for Sandzak" coalition in the Serbian parliamentary elections, winning two seats. In the May 2008 parliamentary elections, his "Bosniak List for a European Sandzak" coalition won two seats.

MUNTER